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AGREEMENT

# CANADA QUÉBEC

Canada-Québec  
Economic and Regional  
Development  
Agreement  
1984-1994

Canada 

Québec 

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Cat. No. C29-2/1-2E

ISBN 0-662-14208-X

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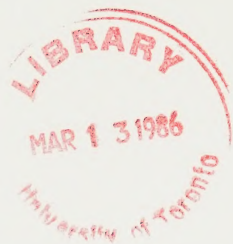


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The present publication has been prepared jointly by the Office of the Federal Economic development coordinator (Regional Industrial Expansion) and le Secrétariat aux Affaires intergouvernementales canadiennes du Québec

Legal deposit — 2nd quarter 1985  
Bibliothèque nationale du Québec  
National Library of Canada  
ISBN-2-550-11892-8

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# **CANADA-QUÉBEC ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT**

AGREEMENT made this 14rd day of december 1984

BETWEEN:

THE GOVERNMENT OF CANADA represented by the Minister of Regional Industrial Expansion,

OF THE FIRST PART

AND:

THE GOVERNMENT OF QUÉBEC represented by the Ministre délégué aux Affaires intergouvernementales canadiennes,

OF THE SECOND PART.

## **Considerations**

- The Government of Canada and the Government of Québec are committed to furthering economic development to reduce disparity in opportunities;
- The Government of Canada and the Government of Québec wish to cooperate in the economic and regional development of Québec. To this end, and by this Agreement, they wish to establish a general framework to coordinate and to harmonize the implementation of necessary measures;
- The Government of Canada and the Government of Québec agree that it is in the public interest to undertake and

- implement coordinated measures by their respective departments and agencies to improve the economic and regional development of Québec;
- The Governor-in-Council, by Order-in-Council No. P.C. 1984-4049 of the 13th day of December, 1984, has authorized the Minister of Regional Industrial Expansion to sign this Agreement on behalf of the Government of Canada;
- The Government of Québec, in accordance with the Decree 2740-84 dated December 12, 1984, has authorized the Ministre délégué aux Affaires intergouvernementales canadiennes to sign this Agreement on behalf of the Government of Québec;

NOW THEREFORE, and in consideration of the premises, covenants and agreements herein contained, the parties hereto agree as follows:

## **Definitions**

1. In this Economic and Regional Development Agreement
  - a) "Federal Minister" means the Minister of Regional Industrial Expansion of the Government of Canada and includes anyone authorized to act on his behalf;
  - b) "Québec Minister" means the Ministre délégué aux Affaires intergouvernementales canadiennes of the Government of Québec and includes anyone authorized to act on his behalf;
  - c) "Implementing Ministers" means the Ministers for the Government of Canada having the responsibility and authority for the implementation of measures required and the Ministre délégué aux Affaires intergouvernementales canadiennes of the Government of Québec or any Minister authorized to act on his behalf;

- d) "Minister" means the Federal Minister, the Québec Minister and Implementing Ministers for the Government of Canada and the Government of Québec;
- e) "Memorandum of Understanding" means an agreement for implementing a measure contemplated by section 6.1, under the authority of Ministers;
- f) "Subsidiary Agreement" means an agreement for implementing a measure contemplated by section 6.2, under the authority of Ministers;
- g) "Measures" include any policies, programs, activities, initiatives or projects of the Government of Canada and the Government of Québec falling within the ambit of the economic and regional development framework described in Schedule "A" and relating to the strategic priorities contained therein;
- h) "Course of Action" means the calendar of measures contemplated by section 5.1. d)

## **Object**

2. The purpose of this Agreement is to facilitate cooperation between the Government of Canada and the Government of Québec in implementing measures for economic and regional development by establishing procedures for consultation and coordination, to identify development opportunities, to provide a framework under which such measures may be taken and to determine the means for implementing measures identified for coordinated action.

## **Purpose**

3. The objectives of this Agreement are:
  - a) to intensify the economic and regional development of Québec and to create an environment in which Québec and its regions can achieve their economic potential through, in particular, the enhancement of their own comparative advantages, the development and strengthening of productive enterprises and by the growth of employment;
  - b) to consolidate and improve opportunities for employment and incomes so that the population of Québec can contribute to the economic and regional development of Québec, and to benefit from it, given that human resource development is an integral element of economic and regional development;
  - c) to facilitate consultation on and coordination of the economic and regional development policies, programs and activities of both governments, in order to benefit as much as possible from development opportunities and to reduce constraints to such development.

## **Strategy**

4. To pursue the above-stated objectives, the Government of Canada and the Government of Québec, while respecting fully the jurisdictions of the two orders of government, agree:
  - a) to identify the respective interventions of the Government of Canada and the Government of Québec that are required for Québec to achieve its full economic potential;

- b) to identify and reduce overlapping activities and excessive regulations in matters of economic development and programs;
- c) to see to the implementation and coordination of federal and Québec policies and programs;
- d) to identify and develop appropriate measures to create economic development opportunities where it is necessary to implement special or additional programs;
- e) to adopt and implement, during the course of this agreement, and subject to approval by their appropriate authorities, those measures agreed upon under the terms described in sections 6.1 and 6.2;
- f) to utilize in implementing those economic and regional development measures, wherever possible, existing programs of their respective departments and agencies.

## **Consultation and coordination**

5.1 The Federal Minister and the Québec Minister shall meet regularly, at least annually, to:

- a) review Québec's economic and regional development environment and major economic and regional development opportunities and constraints;
- b) review progress made in implementing the Course of Action for the previous year and in pursuing the strategic priorities described in Schedule "A";
- c) review and, where appropriate, recommend revisions of the strategic priorities described in Schedule "A" in light of the evolving economic situation;

- d) identify the Course of Action to be undertaken and pursued in the ensuing year, which, inter alia, may include:
  - i) steps which Ministers intend to undertake in the application, amendment or redirection of existing economic and regional development programs and policies;
  - ii) steps which Ministers intend to undertake in developing new policy or program initiatives where none presently exist;
  - iii) steps which Ministers intend to undertake to coordinate their respective economic studies and to support consultation and the joint analysis of economic and regional development perspectives, in support of the economic development of Québec.

5.2 The Government of Canada and the Government of Québec will establish a federal-provincial Executive Committee for the Economic and Regional Development Agreement, to be composed of an equal number of federal and provincial representatives and to be co-chaired by a person named by the Federal Minister and another by the Québec Minister.

5.3 This Committee will meet at least once a year, as required, or at the call of Ministers with a view to reviewing the joint cooperation activities and the joint measures called for in this Agreement, informing Ministers of progress achieved and of measures required, and implementing decisions taken by Ministers.

5.4 The Executive Committee for the Economic and Regional Development Agreement may call upon outside experts, as required, in the various fields where initiatives are to be undertaken.

## **Instruments**

### **6.1 Memorandum of Understanding**

Where Ministers have identified a measure to be undertaken which does not require a financial obligation on the part of the Government of Canada or the Government of Québec but which necessitates a cooperative effort or harmonization with respect to a policy, program or activity, Ministers may sign a Memorandum of Understanding describing the procedures or the action they intend to take with respect to the measure.

### **6.2 Subsidiary Agreement**

Where Ministers have identified measures to be undertaken requiring a financial obligation on the part of the Government of Canada and the Government of Québec, implementing Ministers can jointly elaborate, negotiate and enter into a Subsidiary Agreement describing the responsibilities of the Government of Canada and the Government of Québec, specifying the measures that one or the other or both governments will want to use for implementation purposes, providing for the establishment of a Management Committee to administer and manage the Subsidiary Agreement and providing, where appropriate, for the following:

- i) coordination of existing federal and Québec policies, programs or activities which support the measures to be implemented;
- ii) support, including financial assistance not available under other existing government programs;
- iii) where joint funding is agreed to for projects implemented by the Government of Québec, or where joint or complementary activities are agreed to, the Subsidiary Agreement shall specify the proportion of the costs to be as-

sumed by each government and the maximum of their contributions.

### **6.3 Management Committee**

The Management Committee established to administer and manage each Subsidiary Agreement will:

- i) be co-chaired by two senior officers designated by each of the Implementing Ministers; provide for an equal number of representatives from the Government of Canada and the Government of Québec among which one will be the Federal Minister's designated ex-officio member and another one will be the Québec Minister's designated ex-officio member;
- ii) be given all the powers and instruments required to satisfy those accountability criteria that the Government of Canada and the Government of Québec will each deem required to track the expenditure of their respective financial resources assigned to the Subsidiary Agreement, to take corrective action and to be accountable for their use.

### **6.4 Financial records and reports**

For the purposes described in section 6.3 (ii) each Subsidiary Agreement shall provide that the Management Committee will maintain appropriate financial records and reports including, among others:

- i) each year, on a quarterly basis, an estimate of actual and anticipated cash flows, by year and by program;
- ii) where a Subsidiary Agreement calls for measures to be financed by one or the other government, a progress report to the other govern-

ment, at least once each year, comparing what has been accomplished and what money has been spent to stated objectives and anticipated expenditures;

- iii) where a Subsidiary Agreement calls for measures to be financed by the two governments, detailed and precise financial records and reports on work accomplished and money spent for each component of the Subsidiary Agreement.

## **6.5 Evaluation**

The information judged necessary by either party to complete an evaluation of the socio-economic impact of a Subsidiary Agreement in terms of its stated objectives will be furnished on request to the other party pursuant to the evaluation framework which will be developed by the Management Committee and annexed to each Subsidiary Agreement in the year following the signing of each Subsidiary Agreement. Activities not cost-shared jointly will be evaluated by the government responsible who, in turn, will report on its evaluation to the other government.

## **Public information**

- 7.1 The parties agree to prepare press releases jointly, and to prepare and participate jointly in communication programs related to the signature of this Economic and Regional Development Agreement, of Subsidiary Agreements and of Memoranda of Understanding.
- 7.2 All Subsidiary Agreements and Memoranda of Understanding shall provide for appropriate procedures regarding advertising, publications and other means required to make well known:
  - i) that measures implemented pursuant to the Agreement result from a cooperative effort

between the Government of Canada and the Government of Québec;

- ii) the relative contribution and role of each government in the activities covered by the Agreement.

- 7.3 All official ceremonies and public announcements concerning measures undertaken or products resulting from this Economic and Regional Development Agreement, will be organized jointly and each party will have an equal chance to participate.

## **General**

- 8.1 This Economic and Regional Development Agreement is valid for a period of ten years from the date it is signed.
- 8.2 Notwithstanding section 8.1, this Economic and Regional Development Agreement may be terminated at the end of any fiscal year following the expiration of a least three years from the date of execution thereof, by either party giving to the other at least two fiscal years notice in writing thereof.
9. Any Subsidiary Agreement or Memorandum of Understanding under which a measure has not been completed on expiration or termination of this Agreement shall continue in force and effect until completion of that measure or the expiration of the Subsidiary Agreement or Memorandum of Understanding, whichever is later.
10. No member of the House of Commons or the Québec National Assembly shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

IN WITNESS WHEREOF this Economic and Regional Development Agreement has been executed on behalf of the Government of Canada by the Minister of Regional Industrial Expansion and on behalf of the Government of Québec by the Ministre délégué aux Affaires intergouvernementales canadiennes.

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Sinclair Stevens  
Minister of Regional  
Industrial Expansion

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Pierre Marc Johnson  
Ministre délégué  
aux Affaires  
intergouvernementales  
canadiennes

WITNESS:

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André Bissonnette  
Minister of State  
(Small Businesses)

## **SCHEDULE "A"**

### **ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT ISSUES AND PRIORITIES**

**December 14, 1984**

#### **1. Introduction**

The purpose of this schedule is to describe briefly both the issues and the general objectives and priorities which govern the terms and conditions of the Economic and Regional Development Agreement between the governments of Canada and Québec.

These objectives and priorities already influence many of the programs implemented by the two governments within their regular policy framework, particularly their budgetary policies. This agreement will however make it possible to more effectively co-ordinate the efforts of the two orders of government and enable them to focus on development-generating projects which are designed to make a special contribution towards the achievement of the desired objectives.

#### **2. Overview of the economic situation**

Although hard hit by the 1981 / 82 recession, Québec has experienced a vigorous recovery over the past two years. During this period, real domestic product has grown at a faster pace than the Canadian average, and the total number of jobs has increased significantly. Capital investment has grown, especially industrial capital investment, which has been exceptionally strong. Over the longer term, however, the provincial economy shows signs of weakness. Over the past ten years, growth has been slower in Québec than in Canada as a whole, causing Québec to lose ground in relation to the national

economy. At the same time, total job creation has proved inadequate, giving rise to an unemployment rate higher than the national average, despite relatively lower participation rates. Transfer payments have soared and presently make up approximately one-fifth of the personal disposable income of Quebecers.

## 2.1 Sectoral analysis: problems and prospects

Although the primary sector accounts for a relatively small proportion of Québec's domestic product, it is the fountain-head of many major manufacturing activities and is essential to the survival of most subregions. Agriculture is the dominant activity in this sector and although its performance has been above average over the past ten years, it is now facing saturation of its main markets. Future development of this activity will depend largely on enhanced productivity, greater diversification and increased processing of agricultural goods.

The forest is a vital source of manufacturing activities for the province. The forest and forest products provide 15% of all employment in the primary and secondary sectors and account for over 20% of the province's value added and manufactured exports. Moreover, forestry-related activities are essential to the survival of about half the single-industry communities in the province. Disease and the remoteness of forest resources are currently posing a threat to processing activities and supply costs are climbing constantly. The future of this sector will hinge on continued efforts to modernize and rationalize processing activities, coupled with a coordinated strategy for intensive forest management and disease control.

The mining sector is declining in Québec. The two main industries, iron and asbestos, are beset with major structural problems: for iron, growing international competition and weak steel markets throughout the world; for asbestos, negative perception which has resulted in the decline of demand for this fiber. Increased exploration, diversification of the mineral base, improved extraction and producing processes, and

research and development into new products will be essential, if the mining sector is to be rescued from its current problems.

The fisheries sector remains the prime economic activity in several subregions. Outdated equipment, poor product quality in many instances and low productivity make a revitalization of this sector, from harvesting to marketing, essential.

The manufacturing sector is currently undergoing major structural adjustments. The traditional industries predominate and insufficient investment and technological backwardness are in large part responsible for the relative weakness of the sector. In addition, the under-capitalization problems facing SMEs make them more vulnerable and jeopardize their expansion.

Finally, the tertiary sector accounts for over 70% of employment in Québec. From 1975 to 1981 (the period preceding the recession), the creation of jobs in the tertiary sector was equal to the total number of new jobs in the province. Except for the growth-generating components in this sector, employment opportunities will likely diminish for the following reasons. Firstly, tertiary activities depend largely on sound primary and secondary sectors and growth in consumer demand. Secondly, the creation of jobs in the tertiary sector will be hampered by the cutbacks in public expenditures.

## 2.2 Main Strengths

Although the preceding sectoral analysis identifies a number of major problems facing industry, it is important to note that Québec's economy is still rich and diversified and possesses a number of fundamental assets that can provide the basis for growth.

First of all, major efforts in the area of education have borne fruit. Québec now has a large pool of highly qualified, but underutilized human resources.

The agrifood industry has made considerable progress and Québec's level of self-sufficiency has risen from 47% in 1979

to 60% in 1982. This sector should continue to grow as a result of forecast increases in grain and vegetable production and a higher demand for processed goods.

In the forest products sector, Québec is the largest producer of pulp and paper in Canada. In 1981, it supplied 17% and 33% respectively, of the world demand for newsprint and pulp. It is important to support this industry in its efforts to resolve the problems it is currently facing.

Québec's vast hydro-electric resources enables it to attract major industries which will allow a vigorous resumption of anticyclical, technology-intensive activities with high value added.

Québec is currently a leader in such sectors as public transit equipment, aerospace, communications, office automation, electrochemistry and electrometallurgy, and it must maintain and develop its leadership position in these areas.

At the tertiary level, Montreal is well established on the international scene and at the same time is the mainstay of Québec's economic development, owing to the presence of numerous head offices, major international consulting engineering firms, a dynamic R & D sector, and excellent business, finance and transportation infrastructures. Montreal is enviably located, at the crossroads of Europe, the northeastern United States and the rest of Canada. Elsewhere in the province, many SMEs are demonstrating considerable entrepreneurship and they will contribute significantly to the elimination of regional disparities.

## 2.3 Regional Overview

The economic situation within the Québec economy varies considerably from one region to the next. The province is not monolithic, and studying subregional economic prospects, activities and constraints, and their interrelationships, helps to define the delicate balance underlying Québec's industrial structure.

The resource regions are currently at grips with serious structural problems. The Gaspé-Lower St. Lawrence region has a very high rate of unemployment, owing to the downturn in the primary sector, particularly the copper and fishing industries, and stagnation of the manufacturing sector, with the exception of the transportation equipment sector. The industrial base of the Saguenay-Lac-St-Jean region is not sufficiently diversified, with 76% of all manufacturing jobs concentrated in two industries — forest products and primary metal products. The Abitibi-Temiscamingue region relies heavily on the primary sector; and the forest industry, the cornerstone of the region's economy, is threatened by supply problems. The economic activities of the North Shore revolve around hydro-electric power, forestry, mining and wildlife activities. The deterioration of the region's economic situation is due mainly to the decline in the iron mining, which has resulted in the loss of half of all mining jobs.

The performance of the central regions varies considerably. While the provincial government still buttresses the economy of the Québec City region, the economic base is fairly well diversified, and all sectors of industry are expanding, with the exception of mining. The St. Maurice-Bois-Francs region is primarily a manufacturing region and the traditional industries are plagued by problems linked to the obsolescence of both equipment and production methods. A restructuring is underway and the construction of large industrial complexes will help, however, compensate for the jobs lost through modernization. The problems of the Eastern Townships' manufacturing sector are similar to those of the St. Maurice-Bois-Francs region, and modernization efforts have been undertaken in the Townships as well. In addition, the mining sector has been hard hit by the downturn in the asbestos market. Finally, the Outaouais region has been in trouble since the mid seventies, when a decline in the agricultural and mining sectors led to the region's increased dependency on government and forestry activities.

The Montreal region accounts for two-thirds of the province's manufacturing jobs. Stagnation in manufacturing employment

opportunities since the early seventies is one of the main reasons for the slowdown in the provincial economy. The dominant sectors in Montreal's industrial base are, in many cases, mature sectors. There are however, a number of projects underway, particularly in the aerospace and electronics fields, which will help revitalize the economic structure. In addition, there has been new demand for consulting engineering activities, a considerable increase in R & D efforts as well as a revitalization of the financial sector.

### **3. Priorities**

There are major challenges to be met in the decade ahead. The creation of productive, permanent jobs will be a top priority in an economy where technological change will demand considerable effort in the areas of adaptation and training in order to meet new occupational challenges. Economic growth will remain closely tied with trade, in an increasingly competitive environment, and productivity of both the goods and services sectors will have to increase constantly. Although the introduction of automation in the primary and secondary sectors may put certain jobs at risk, the emergence of new services, especially in the fields of information and technological expertise, will make up for the jobs lost and, at the same time, help to increase productivity and open up new export opportunities, as is currently the case in the field of consulting engineering. At present, there are significant regional disparities in Québec, in terms of both income and employment, and a major goal will be to ensure that each of the regions is able to realize its full potential by developing its strong points and ensuring that the necessary infrastructures are in place. If these challenges can be met, Québec will benefit from coordinated economic development and it will be possible to bring the province's per capita income more into line with the Canadian average.

In achieving these objectives, the revitalization of the industrial base will be of fundamental importance. By focussing on certain priorities, it will be possible to coordinate the efforts of

the federal and provincial governments throughout the life of this agreement, in a way which will be mutually satisfactory and which will be consistent with the judicious use of public funds for development activities.

### 3.1 Forestry and Forest Products

The forestry and forest products industry is the main productive activity in Québec and is essential to the survival of half the single-industry towns in the province. The future of this sector, jeopardized by resource depletion, hinges on an integrated strategy of action with respect to both forest resources and their development. Priority will be given to the intensive management and more particularly reforestation and protection of the forest, in keeping with the long-term needs of the processing sector. Research and development will focus on disease control, improved logging and resource utilization techniques, and forest management.

### 3.2 Industrial Development

In this area, it will be necessary, on the one hand, to encourage the development of strong sectors in which the province has significant comparative advantages and, on the other, to provide support to industries experiencing problems, which occupy a major place in the province's industrial structure.

An important component of the strategy will be to attract large-scale industrial projects and to provide the necessary infrastructures should they be lacking or inadequate in the areas chosen. Sectors which might warrant special attention are industries that are heavy consumers of hydro-electric power and growth-generating high-tech industries, for which Québec is likely to develop a position of strength. Efforts to rationalize and modernize traditional sectors will be pursued and coordinated. The expansion of markets for Québec products will be encouraged, as will the development of small and medium-sized businesses, especially in terms of access to information, capitalization and the dissemination of technology.

### 3.3 Tourism

The tourism industry is crucial to the development of several regions and may prove to be a major source of jobs to make up for those lost through increased automation. However, this sector is losing ground. In order to get on a new growth path, the industry will have to adapt to new market conditions, to offer products at competitive prices and to modernize certain recreational and accommodation facilities that are presently obsolete. The underutilization of winter potential also represents a constraint to the industry's development. In order to revive this industry, encouragement will be given to the development of year-round, international-calibre tourist resorts. One of the main avenues used will be the modernization and expansion of the province's main ski centres. In addition, steps could be taken to develop and market tourist generating attractions.

### 3.4 Science and Technology

Québec's economic future hinges on increased R & D and technological innovation. The province already has significant assets in its public and university research institutes, its industrial research groups and its high-tech industries. These assets must be supported and put to work for the province's main industrial sectors, especially small and medium-sized businesses. The dissemination of technology will be crucial in this regard. Research will have to be geared more closely to industrial requirements, the investment of risk capital in innovative firms will have to be promoted and access to technological information will have to be facilitated. Moreover, government research programs will have to be coordinated and intensive efforts will have to be made to transfer the results of such programs to the private sector.

### 3.5 Communications

A development-generating sector, the communications industry is showing promise of strong growth and is likely to have a considerable impact on productivity and employment in new

professional categories. Key areas much as telecommunications equipment, office automation, cable broadcasting, software and cultural content will have to be supported in terms of the implementation of industrial and cultural infrastructures, research and development and market expansion.

### 3.6 Mining

Although the mining sector is currently at grips with serious structural problems, it is still very important in terms of regional development and exports. The future of the most promising sectors depends to a great extent on geological research efforts, the intensity of exploration activities, diversification in minerals mined, research and development aimed at increasing the productivity of extraction and processing methods, and the development of new products.

### 3.7 Transportation

Transportation services play a crucial role in terms of supporting trade inside and outside the province. It will be necessary to ensure that there are adequate transportation infrastructures in place in outlying areas. In addition, the productivity of the transportation system will be enhanced through research and development and the improvement and modernization of equipment, so that transportation costs will not impair the competitive position of Québec industries.

### 3.8 Fisheries

This sector is vital to the development of several Québec regions including the Gaspé, the North Shore and the Magdalen Islands. Intensive cooperation on the part of all those concerned, in both the public and private sectors, will be promoted in an effort to make this industry more effective and profitable. Remedial measures will have to be coordinated to the extent possible, and finally, steps will be taken to improve product marketing.

### 3.9 Agriculture

Agriculture ranks first among the primary sector activities. It is crucial to the subregions' economy and generates major manufacturing activities. Despite an excellent performance, it faces market saturation problems for its main products. In order to stimulate growth, efforts shall be directed toward new technology dissemination, a general improvement of productivity and increased diversification and processing of products.

# **CANADA/QUÉBEC ECONOMIC AND REGIONAL DEVELOPMENT AGREEMENT**

## **COURSE OF ACTION**

The Canada/Québec Economic and Regional Development Agreement constitutes a framework for federal/provincial coordination and collaboration on economic and regional development for Québec.

To implement the Agreement, the Governments of Canada and Québec agree to sign certain subsidiary agreements within the next few weeks. Further, the two governments agree to advance with a view to signing, within a few months, the remaining subsidiary agreements required to meet priorities agreed upon in Schedule "A" of the Economic and Regional Development Agreement! Thus the Governments of Canada and Québec have agreed on a course of action for the years 1984 and 1985. Thereafter, this course of action will be amended each year to reflect changes made to Schedule "A" of the Economic and Regional Development Agreement.

Sub-agreements signed under the ERDA will be managed by a joint Management Committee which will evaluate and approve beforehand each project proposed by either government in the context of these sub-agreements and activities that are jointly funded will be implemented by the Government of Québec. All projects in matters of Québec jurisdiction will be submitted in conformity with development plans elaborated by the Government of Québec.

In matters such as science and technology, communications and industrial development, the two parties will conclude memoranda of understanding to adjust their development plans for the purpose of the ERDA.

N.B.: Programming provided for 1984-1985 ended on March 31 st 1985. It included the following sectors: Forestry, Industrial Development, Tourism, Science and Technology, Communications and Cultural Infrastructures, Small and Medium Sized Enterprises, Mines, Transportation, Fisheries and Agriculture.









